REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON NYANDENI LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Nyandeni Local Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages ... to ....

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2010 (Act No. 1 of 2010) (DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010.* Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Corresponding figures

4. As disclosed in note 32 to the financial statements, differences between the sub-ledgers and control accounts were identified during the year under review. The corresponding figures were adjusted for these differences, but the municipality did not provide adequate documentation in support of the journal entries that were processed. It was therefore not possible, even through alternative procedures to determine the accuracy, occurrence, cut-off, classification, valuation, allocation, existence, completeness as well as rights and obligations of the corresponding figures as disclosed in the statement of financial performance, statement of financial position, cash flow statement, statement of changes in net assets and the notes to the financial statements.
5. Furthermore, the impact of these adjustments on the current year figures disclosed in the statement of financial position, statement of changes in net assets, cash flow statement and notes to the financial statements could not be determined.

Cash and cash equivalents

6. As disclosed in note 6 to the financial statements, the bank statement balance on the First National Bank current account at 30 June 2011 was R154 038, but the cashbook reflected a balance of R14,3 million. A bank reconciliation for the difference of R14,2 million was provided for audit purposes, but the reconciling items reflected on this bank reconciliation were not valid reconciling items as there were amounts that had been processed through the cash books of the municipality that were not reflected in the general ledger accounts of the municipality. The municipality performed a data-cleansing exercise and a revised bank reconciliation was submitted on 16 November 2011, which reflected a corrected cashbook balance of R87 231. However, the contra entries as well as relevant supporting documentation for the adjustments of R14,2 million to be made to the general ledger and financial statements were not provided.

7. As a result, it was not possible to determine the impact of the above matter on the amounts disclosed in the statement of financial position, statement of financial performance, statement of changes in net assets, cash flow statement and the notes to the financial statements.

VAT receivable

8. VAT amounts were incorrectly processed in the general ledger of the municipality and input VAT was not always claimed on expenses incurred, resulting in expenditure being overstated and input VAT being understated by R144 238. VAT was charged by suppliers who were not registered for VAT purposes and the municipality's VAT number did not appear on certain invoices on which VAT was claimed.

9. In addition, the municipality was not able to provide supporting documentation to confirm that the VAT receivable of R7,4 million as disclosed in note 5 to the financial statements was actually receivable from the South African Revenue Service (SARS). The payments received from SARS during the year under review did not agree to the amounts reflected on the VAT 201 forms, while reconciliations of the variances were not provided. Not all refunds per the VAT 201 forms submitted had been paid and reasons why these amounts had not been paid were not provided.

10. As disclosed in note 32 to the financial statements, an adjustment of R1,3 million was made to the current year opening balance, but the VAT 201 forms were not adjusted to reflect this amount. Furthermore, as disclosed in note 1.9 to the financial statements, the municipality is on the payments basis for VAT. However, the movement in the VAT receivable general ledger account for the year, which is prepared on the accrual basis, agreed to the movement on the VAT 201 forms. No adjustments were made for the movement in receivables and payables.

11. It was therefore not possible to confirm the rights, existence, valuation as well as the completeness of the VAT receivable of R7,4 million as disclosed in note 5 to the financial statements.

Cash flow statement

12. Supporting documentation and calculations for the amounts disclosed in the cash flow statement were not provided for audit purposes. It was therefore not possible to confirm the accuracy and completeness of the amounts disclosed in the cash flow statement and note 34 to the financial statements.

Capital commitments

13. Capital commitments of R9,9 million as disclosed in note 38 to the financial statements only reflected the commitments for projects that had not yet been started. The amounts for work not yet performed on projects that had already started were not included, resulting in commitments being understated. It was not possible, even through alternative audit procedures, to determine the full amount of this understatement as the municipality did not provide an adequate list of outstanding work on projects that had already started.

Employee related costs

14. Total bonuses paid per the bonus report did not agree to the bonuses paid as disclosed in the financial statements, while bonuses paid were not accurately calculated, resulting in bonuses of R1,9 million as disclosed in note 27 to the financial statements being understated by R403 530 and accruals of R3,1 million as disclosed in note 10 to the financial statements being understated by R561 872. Furthermore, a provision for bonuses owing at year-end was not raised. It was therefore not possible, even through alternative procedures, to determine the completeness and accuracy of bonuses paid of R1,9 million and accruals of R3,1 million as disclosed in notes 27 and 10 to the financial statements.

15. Differences were identified between the overtime hours worked and the overtime hours paid, resulting in overtime being overstated by R222 216. Furthermore, the municipality did not have adequate documentation in support of all overtime payments and it was therefore not possible to confirm the occurrence and accuracy of the overtime paid of R2,1 million as disclosed in note 27 to the financial statements.

16. The municipality did not provide the notches for the acting allowances and it was therefore not possible to confirm that the acting allowances paid, included under any other type of benefits or allowances of R2,9 million as disclosed in note 27 to the financial statements, were accurate.

Accruals

17. The municipality did not have adequate controls over leave, resulting in employee leave records not being complete, leave forms not being adequately approved, adequate supporting documentation not being kept on leave files, leave taken not being recorded on the leave system, the incorrect number of leave days being recorded on the leave system and leave being incorrectly classified on the leave system. Furthermore, the municipality did not provide adequate supporting documentation for the salary control account of R47 918, which was set off against accruals.

18. It was therefore not possible to confirm the valuation, obligation and existence of the leave pay provision of R3,1 million, reflected as accruals in note 10 to the financial statements.

Expenditure

19. In terms of paragraph 101 of GRAP 1: *Presentation of financial statements*, an entity shall present an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant. Expenditure items were incorrectly classified based on the type of revenue instead of the nature or function of the expenditure. Furthermore, adequate supporting documentation was not always attached to payment batches and journal vouchers, while some payment batches were not submitted for audit purposes.

20. It was therefore not possible to determine the accuracy, occurrence, classification and cut-off of repairs and maintenance of R3,4 million as well as general expenditure of

R32,2 million as disclosed in the statement of financial performance and note 30 to the financial statements.

Irregular expenditure

21. Irregular expenditure of R2,2 million (2009-10: R274 228) was identified during the audit process as a result of supply chain management (SCM) processes not being adhered to and payments not being approved by a delegated official.

22. Furthermore, adequate supporting documentation was not provided for tenders to the value of R5,3 million and not all payment vouchers were submitted for audit purposes. It was therefore not possible to determine whether the SCM processes had been followed and whether the payments made on these contracts resulted in irregular expenditure.

23. As a result, the corresponding and current year figures for irregular expenditure as disclosed in note 43 to the financial statements were not complete.

Property, plant and equipment

24. As disclosed in note 7 to the financial statements, included in the amount for additions to infrastructure assets is an amount of R22,1 million (2009-10: R19 million) relating to projects that had not yet been completed at year-end. These amounts should have been reflected as work-in-progress and only transferred to infrastructure assets upon completion. Furthermore, a schedule in support of this amount was not provided for audit purposes and it was not, even through alternative procedures, possible to determine the extent to which infrastructure assets were overstated and work-in-progress was understated.

25. In terms of GRAP 17: *Property, plant and equipment*, the separate classes of property, plant and equipment must be disclosed in the financial statements. The balances in the fixed asset register provided for audit purposes did not agree to the balances disclosed for property, plant and equipment in note 7 to the financial statements, resulting in land and buildings and infrastructure being understated by R208 510 and R3,5 million, respectively, and community assets, motor vehicles and computer equipment being overstated by R1,7 million, R1,6 million and R94 325, respectively. In total, property, plant and equipment was understated by R274 943.

26. The balance per the financial statements for infrastructure assets and community assets did not agree to the general ledger, resulting in infrastructure assets being understated and community assets being overstated by R1,5 million.

Trade receivables

27. In terms of IAS 39: *Financial Instruments: Recognition and Measurement*, trade and other receivables should be stated at their present value in the financial statements as at year end, with the difference between the nominal amount and the present value recognised as interest income over the financing period. The municipality did not state trade receivables at their fair value.

28. Accounting policy note 1.12.2.2 states that trade receivables are written off when they are uncollectable. However, the municipality did not have a policy for the write off of bad debts and, as a result, debts that were uncollectable were impaired but not written off.

29. The balances per the debtors statements at year-end did not agree to the balance per the debtors listing, while the balance per the debtors listing did not reconcile to the trial balance and financial statements. Differences were identified between the debtors with credit balances as per the debtors listing of R302 777 and the income received in advance of R214 715. Supporting documentation was also not submitted for audit purposes.

30. It was therefore not possible to confirm the existence, rights and obligation, valuation and completeness of trade receivables of R10,2 million as disclosed in note 3 to the financial statements as well as income received in advance of R214 715 as disclosed in note 12 to the financial statements.

31. The municipality did not provide an adequate schedule in support of the impairments of debtors relating to trade receivables of R9,4 million as disclosed in note 3 to the financial statements. Furthermore, the debtors balances per the impairment schedule did not agree to the debtors balances per the debtors list provided in support of the balance for trade receivables. Balances outstanding for more than 120 days could not be traced to the list of impairments.

32. As a result, it was not possible to confirm the rights and obligation, valuation, existence and completeness of the impairment of debtors relating to trade receivables as disclosed in note 3 to the financial statements as well as doubtful debts of R2,7 million as disclosed in note 30 to the financial statements.

Revenue

33. The total property values per the valuation roll of R258,8 million did not agree to the property values per the debtors system of R907,2 million. These amounts did not agree to the property values of R873,5 million as disclosed in note 24 to the financial statements. Furthermore, rates were incorrectly calculated at business rates instead of residential rates for some properties and there were properties on the debtors system that were reflected at a nil value. As a result, it was not possible to determine the accuracy and completeness of property rates of R4 million as disclosed in note 24 to the financial statements.

34. The accounting policy for traffic fines as disclosed in note 1.11.2 to the financial statements states that revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected. Traffic fines were disclosed on a cash basis and no estimate was performed on the amounts that would be received. It was therefore not possible to determine the completeness of revenue received from traffic fines of R330 550 and other receivables of R1,2 million as disclosed in notes 25 and 4 to the financial statements.

Payables and retentions

35. In terms of IAS 39: *Financial Instruments: Recognition and Measurement*, financial liabilities are to be reflected at fair value. The accounting policy for payables as disclosed in note 1.12.2.3 to the financial statements, states that trade and other payables from non-exchange transactions are held at cost, as their cost approximates their fair value. Note 10 to the financial statements states that the cost approximates the fair value as the average credit on purchases is 30 days from the receipt of the invoice. However, based on audit work performed, it was found that creditors were not paid within 30 days.

36. Furthermore, there were trade creditors at year-end that had not been included in the list of trade creditors, amounts were included for which goods had not yet been received or there was no obligation to pay at year-end, amounts per the creditors listing did not agree to supporting documentation, and not all supporting documentation was submitted.

37. As a result, it was not possible, even through alternative procedures, to confirm the valuation, existence, completeness as well as the rights and obligations of trade creditors of R2,7 million as disclosed in note 10 to the financial statements and retentions of

R2,2 million as disclosed in the statement of financial position, as well as the completeness of finance costs as disclosed in note 29 to the financial statements.

Other receivables

38. The municipality did not provide documentation in support of other receivables of R545 095. It was therefore not possible to confirm the rights and obligation, valuation as well as allocation and existence of these receivables or the related impairments as disclosed in note 4 to the financial statements.

Government grants

39. The municipality received an LED grant of R500 000 during the year as disclosed in note 26 to the financial statements. Adequate supporting documentation for this grant was not provided for audit purposes and it was therefore not possible, even through alternative procedures, to confirm whether the municipality had complied with the conditions of this grant, whether the revenue reflected in note 26 to the financial statements was accurate and complete and whether the municipality was entitled to this grant.

Management representation

40. I was unable to obtain the representations considered necessary from management with respect to the accompanying financial statements. I could not determine the effect of the lack of such representations on the financial position of the entity as at 30 June 2011, or the results of its operations and its cash flows for the year then ended.

Disclaimer of opinion

41. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matter

42. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Financial reporting framework

43. As disclosed in note 1 to the financial statements, the municipality has adopted the transitional provisions in terms of Directive 4 dealing with transitional provisions for medium and low capacity municipalities issued by the Accounting Standards Board.

Additional matter

44. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

45. The appendices set out on pages ... to ... do not form part of the financial statements and are presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

46. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages ... to ... and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

47. There were no material findings on the annual performance report.

Compliance with laws and regulations

Strategic and performance management

48. The accounting officer of the municipality did not submit the results of the assessment on the performance of the municipality during the first half of the financial year to the mayor of the municipality, the National Treasury and the relevant provincial treasury, as required by section 72(1)(b) of the MFMA.

49. The municipality did not implement a framework that described and represented how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement would be conducted, organised and managed, including determining the roles of the different role players as required by sections 38, 39, 40 and 41 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and Municipal Planning and Performance Management Regulations 7 and 8.

Annual financial statements, performance report and annual report

50. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements in capital assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a disclaimed audit opinion.

51. The municipal council did not adopt an oversight report containing the council's comments on the annual report within two months from the date on which the 2009-10 annual report was tabled in the council, as required by section 129(1) of the MFMA.

52. The accounting officer did not make public the council's oversight report on the 2009-10 annual report within seven days of its adoption, as required by section 129(3) of the MFMA.

Audit committees

53. The audit committee did not function as required by section 166 of the MFMA, in that:

- It did not advise the council, the accounting officer and the management staff of the municipality on matters relating to internal financial control and internal audits, risk management, accounting policies, performance management, effective governance, compliance with applicable legislation and performance evaluation;
- It did not adequately review the annual financial statements;
- It did not respond to the council on any issues raised by the Auditor-General in the audit report;
- It did not meet at least four times a year;
- There was no regular communication with internal audits and as such risks identified were not adequately followed up on;
- Prior year audit findings were not adequately considered and addressed;
- There was no evidence to indicate regular communication with council;
- Adequate performance audits were not identified;
- The audit committee charter does not address the assessment of risks relating to fraud; and
- There is no regular follow up on the external audit process.

54. The audit committee did not advise the council of the municipality on the adequacy, reliability and accuracy of financial reporting and information as required by section 166(2)(a)(iv) of the MFMA.

55. The audit committee did not advise the municipal council, the political office bearers, the accounting officer and the management staff of the municipality on matters relating to compliance with the MFMA, DoRA and other applicable legislation as required by section 166(2)(a) of the MFMA.

56. The municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee as required by Municipal Planning and Performance Management Regulation 14.

Internal audit

57. Internal audit did not report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation as required by section 165(2)(b) of the MFMA.

58. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes as required by section 45(1)(a) of the Municipal Systems Act and Municipal Planning and Performance Management Regulation 14.

Procurement and contract management

59. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers, contrary to the requirements of SCM Regulation 17(a) and (c).

60. Bid specifications were not always drafted by bid specification committees which were composed of one or more officials of the municipality as required by SCM regulation 27(3).

61. Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state, as per the requirements of SCM Regulation 13(c).

62. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a).

63. Sufficient appropriate audit evidence could not be obtained that awards had been made to suppliers based on preference points that had been allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000) and its regulations.

64. The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualified for listing, while prospective providers were not invited to apply for such listing at least once a year, as per the requirements of SCM Regulation 14(1)(a)(ii) and 14(2).

65. Awards were made to suppliers that did not score the highest points in the evaluation process as per the requirements of section 2(1)(f) of Preferential Procurement Policy Framework Act.

66. Awards were made to bidders other than those recommended by the bid evaluation committee without ratification by the accounting officer, as required by SCM Regulation 29(5)(b).

Expenditure management

67. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.

68. Payments were made without the approval of the accounting officer or a properly authorised official, as required by section 11(1) of the MFMA.

69. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, as required by section 65(2)(a) of the MFMA.

70. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which recognised expenditure when it was incurred as well as accounted for creditors and payments made, as required by section 65(2)(b) of the MFMA.

71. The accounting officer did not take reasonable steps to prevent irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

72. The municipality did not recover irregular or fruitless and wasteful expenditure from the liable person, as required by section 32(2) of the MFMA.

Revenue management

73. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

74. Revenue received by the municipality was not always reconciled at least on a weekly basis, as required by section 64(2)(h) of the MFMA.

75. A credit control and debt collection policy was not adopted, maintained and implemented as required by section 96(b) of the MSA.

76. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system that recognised revenue when it was earned as well as accounted for debtors and receipts of revenue, as required by section 64(2)(e) of the MFMA.

Asset management

77. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system that accounted for the assets of the municipality, as required by section 63(2)(a) of the MFMA.

78. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of internal control for assets (including an asset register), as required by section 63(2)(c) of the MFMA.

INTERNAL CONTROL

79. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010,* I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

80. The municipality did not exercise oversight responsibility regarding financial reporting and compliance as well as related controls. The municipality did not have sufficient monitoring controls to ensure adherence to the internal policies and procedures at a programme or objective level, as well as for purposes of taking corrective action. This has resulted in numerous instances of non-compliance as well as the disclaimer of opinion on the audit report.

81. Management did not establish and communicate policies and procedures to enable and support an understanding and the execution of internal control objectives, processes and responsibilities. Policies and procedures were not all documented and were not adequately implemented. As a result, some policies were designed but not properly implemented and a number of instances of non-compliance with various policies were identified during the audit process.

Financial and performance management

82. Management did not implement adequate processes in place to ensure proper record keeping and, as a result, information was not submitted for audit purposes, there were delays in the submission of information, and supporting documentation submitted was not complete, which resulted in a limitation of scope being placed on the audit.

83. Although monthly management reports were prepared, these were not adequately reconciled to underlying information. A system of proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting was not developed and implemented by the municipality. The general ledger did not agree to the financial statements and there were differences between the general ledger and sub-ledgers.

84. Furthermore, bank and VAT reconciliations were not performed and the cashbook and general ledger were not reconciled on a monthly basis to ensure that all transactions had been processed. The fixed asset register was not reconciled to the general ledger and suspense accounts were not reviewed and cleared on a monthly basis.

85. Formal controls over the information technology (IT) systems were not designed and implemented to ensure the reliability of the systems and the availability, accuracy and protection of information. The IT system crashed during the year and certain information could not be retrieved for audit purposes due to the municipality not having adequate backup recovery procedures.

86. There were recurring errors on the system, whereby the system included reconciling items on the bank reconciliation from previous periods that had already been accounted for. Transactions processed in the sub-ledgers were also not automatically updated to the ledgers, resulting in differences between the ledger and sub-ledger accounts.

87. The municipality did not have reliable information systems for recording and reporting on fixed assets, VAT, receivables, accruals and payables. The lack of reliable systems resulted in misstatements in the financial statements.

88. The municipality did not have processes to prevent and detect non-compliance with laws and regulations. Non-compliance with laws and regulations could have been prevented had compliance been adequately reviewed and monitored.

89. Management did not have proper processes to ensure that financial information was accurately recorded. There were no regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information, while staff did not understand the applicable financial reporting framework.

90. As financial statements were not properly reviewed for completeness and accuracy prior to submitting them to the auditors, certain disclosures were outstanding while others were incorrectly recorded due to transactions not being recorded in the accounting system. This resulted in misstatements in the financial statements as reported in the basis for disclaimer of opinion paragraphs above.

Governance

91. Adequate mechanisms did not exist to identify risks arising from external factors. The changing needs or expectations of government, entity officials, and the public were also not considered. Risks resulting from business, political and economic changes were not identified and risks resulting from personnel were not considered.

92. The municipality did not undertake a risk assessment to assess any risks of fraud. Consequently there was no approved fraud prevention plan during the year under review. Due to the deficiencies identified in the respective internal controls, these controls would not be able to prevent or detect fraudulent activities within the municipality.

93. Although the municipality had an audit committee in place during the year under review, the audit committee did not meet regularly and were not effective in their meetings. The audit committee did not adequately discharge all its duties, resulting in material misstatements identified during the audit.

Auditor-General

East London

30 November 2011

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence